APPENDIX

7. (Amended) A data processing system, comprising:

a risk analysis and planning module that analyzes risk elements of interest-rate derivative and mortgage pool components, develops plans for structuring securities based on selected components, and [adopts optimal plans] ensures each plan is economically efficient under one or more economic scenarios;

a deal structure module that validates [each] an economically efficient [adopted] plan and initializes files for the securities to be issued under [each validated] the validated plan; and

an administration module for administering the securities issued under [each] the plan validated and initialized by the deal structure module.

27. (Amended) A method of adding value to mortgage-backed securities comprising:

identifying one or more pools of optimized mortgage securities;

identifying one or more pools of interest-rate derivatives;

analyzing risk elements and economic variables associated with cash flows coming from the one or more mortgage securities and the one or more pools of interest-rate derivatives;

strategically allocating cash flows from the one or more pools of optimized mortgage securities and cash flows from the one or more pools of interest-rate derivatives to create classes of investment securities [with a plurality of investment characteristics] which define a new set of investment securities that are economically

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efficient under one or more market conditions, at least one class combining [being backed by] cash flows from the one or more pools of interest-rate derivatives and cash flows from the one or more pools of mortgage securities [pools in combination]; and

issuing the new set of investment securities.

28. (Amended) The method of claim 27 wherein the one or more pools of optimized mortgage securities have floating rate (FLT) and inverse floating rate (INV) classes and the FLT and INV classes are exchanged for cash flows from a derivative contract.

31. (Amended) An investment security comprising:

cash flows coming from mortgage pool components; and

cash flows coming from derivative components,

wherein the cash flows from mortgage pool components and the cash flows from derivative components are allocated into tranches, whereby the value of the investment security is [optimized] more economically efficient under one or more market conditions compared to that which would have been realized by securitizing cash flows coming from mortgage pool components alone.

45. (Amended) A system for creating investment securities which are at least partially backed by mortgage pool components comprising:

a risk analysis and planning module that analyzes risk elements of interest-rate derivative and mortgage pool components, develops plans for structuring securities

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based on selected components from the interest-rate derivative and mortgage pool components, and [adopts optimal plans] ensures each plan is economically efficient under one or more economic scenarios;

a deal structure module that validates [each] an economically efficient [adopted] plan and initializes files for the securities to be issued under [each validated] the validated plan; and

an administration module for administering the securities issued under [each] the plan validated and initialized by the deal structure module.

46. (Amended) A system for creating investment securities according to claim 45, wherein the risk analysis and planning module further comprises an asset pool prepayment model that projects cash flows of a mortgage asset account based on prepayment rate parameters and asset type data provided as input from a user.

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